



THE LOCKWOOD COMPANIES

post

October 8, 2007

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MSHDA-Legal

Mary Levine, Esq.
Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Avenue
Lansing, MI 48912

Re: Prevailing Wage Requirement in Draft Qualified Allocation Plan

Dear Ms. Levine:

The draft Qualified Allocation Plan "QAP" has numerous shortcomings to which I and most of the other major housing producers in Michigan have already stated objections, but I would like to specifically address the onerous nature of the proposed prevailing wage requirement.

On August 27, 2007, Senior Labor Policy Analyst Paul Kersey of the Mackinac Center for Public Policy published a study on "The Effects of Michigan's Prevailing Wage Law". The 28 page report described what Kersey called a "trifecta" of bad public policy - higher costs, fewer jobs and benefits going to high-wage workers. Kersey's study found that Michigan had a low number of construction jobs compared to its overall workforce and the prevailing wage increased the cost of construction by 10 to 15 percent.

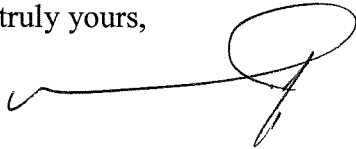
Prevailing wage laws limit jobs in the construction industry. In 18 states without prevailing wage laws in 2004, construction workers made up 5.3 percent of the work force, compared with only 4.2 percent for states with strong prevailing wage laws. In Michigan, construction employment made up only 3.7 percent of the jobs in the state's economy. Prevailing wage kills jobs. We need to protect the jobs we have.

An even more perverse and unfair effect of prevailing wage is the "reverse Robin Hood" effect. Construction workers in Michigan typically earn 28 percent more than Michigan's workforce as a whole, according to Kersey's study. Prevailing wage would boost those numbers much higher, but at a cost increase to the affordable housing project of 10-15 percent, which ultimately must be passed on to the low income resident in the form of higher rent. The low income resident, by definition, makes no more than 60% of median income, approximately half of what the construction worker makes. Thus the costs of higher wages paid to a group already well compensated are placed on the backs of the poor.

Mary Levine, Esq.
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Please re-consider this provision of the draft QAP. I would appreciate it if you could post this letter to the MSHDA web-site section regarding QAP comments. Thank you.

Very truly yours,

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a large, loopy 'R' and a vertical line.

Rodney M. Lockwood, Jr
Chairman and CEO

cc: Governor Jennifer Granholm
Scott Larry, President- Michigan Housing Council
Pat Harrington, Muchmore, Harrington and Smalley
Keeli Baker, Michigan Housing Council